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Department of Commerce Division of Public Utilities

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Director, Division of Public Utilities

Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Doug Wheelwright, Utility Technical Consultant Supervisor

Date: April 10, 2020

Re: **Docket No. 20-066-01**, Dixie-Escalante REA, dba Dixie Power Application to Issue Securities

Recommendation (Approval)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) approve the request to issue securities as set forth in the Application.

Issue

On April 9, 2020, Dixie-Escalante, dba Dixie Power (Dixie) applied for Commission approval to issue securities. On the same day, the Commission issued an action request to the Division. This memorandum is the Division's response to the action request.

Dixie is asking for Commission approval to execute certain documents in the form of one or more loan agreements, applications, and/or promissory note(s) in the amount up to \$1,746,067 in connection with a loan pursuant to the Coronavirus Aid, Relief, and Economic Securities Act or CARES Act. Dixie has requested expedited and informal consideration of the application.

Background

In response to the unprecedented COVID-19 emergency, the United States Congress enacted the CARES Act, providing among other things, the Paycheck Protection Program (“PPP”) which authorizes forgivable government-guaranteed loans to small businesses in order to pay employees during the COVID-19 crisis. The PPP loans may be forgiven as long as the loan proceeds are used to cover payroll costs, mortgage interest, rent, and utility costs over an 8-week period after the loan is made.

Discussion

Dixie states that it has already experienced reduced prices and demand for electric service in its service area, most likely attributable to the dramatic effect of the COVID-19 crisis. In order to maintain stable operations during the COVID-19 emergency and ensure continued retention of employees, Dixie would like to apply for a PPP loan. All proceeds from the loan would be used exclusively for payroll and related items as outlined in the CARES Act. Any amounts borrowed under the PPP Act will be unsecured. The loan has been authorized by its Governing Board, consisting of publicly elected representatives of all the consumer/members. The PPP loan is anticipated to be forgiven, without any tax consequence for loan forgiveness, and Dixie anticipates it will not be required to repay any portion of the loan.

Dixie has requested that the application be expedited since the PPP loan program is intended to provide immediate, emergency relief during the ongoing COVID-19 crisis. The amount of funding under this program may become oversubscribed as numerous small businesses make application for similar loans under the CARES Act.

Conclusion

The Division is interested in the ongoing stability of all utilities in the State of Utah and recognizes the unprecedented conditions resulting from the COVID-19 crisis. The PPP as authorized by the United States Congress provides a way to help small businesses maintain stable operations during the crisis. Based on the Division’s review and understanding of the

need for prompt action, the Division believes that the application is in the public interest and recommends that the Commission approve the application.

Cc: David F. Crabtree, Attorney for Dixie-Escalante REA dba Dixie Power
Michele Beck, Director, Office of Consumer Services